

**MINUTES
of the
FOURTH MEETING
of the
JOBS COUNCIL**

**September 14, 2015
Carpenters Local Union Hall
Albuquerque**

The fourth meeting of the Jobs Council for the 2015 interim was called to order by Representative Don L. Tripp, co-chair, at 8:45 a.m. on September 14, 2015 in the Carpenters Local Union Hall in Albuquerque.

Present

Rep. Don L. Tripp, Co-Chair
Vicente Alvarado
Dale Armstrong
Terry Brunner
Terri L. Cole
Jason Espinoza
Rep. Roberto "Bobby" J. Gonzales
Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Rep. W. Ken Martinez
Sherman McCorkle
Sen. George K. Munoz
Sen. Michael Padilla
Alex O. Romero
Eric Witt
Sen. Pat Woods

Absent

Sen. Mary Kay Papen, Co-Chair
Rep. Tim D. Lewis
Sen. John C. Ryan
Sen. Michael S. Sanchez
Sen. Mimi Stewart

Advisory Members

Rep. David E. Adkins
Rep. Alonzo Baldonado
Sen. Carlos R. Cisneros
Rep. Kelly K. Fajardo
Rep. Stephanie Garcia Richard
Rep. Bealquin Bill Gomez
Rep. Yvette Herrell
Rep. Conrad James
Rep. Larry A. Larrañaga
Rep. Bill McCamley
Sen. Howie C. Morales
Rep. Debbie A. Rodella

Rep. Cathrynn N. Brown
Sen. William F. Burt
Sen. Steven P. Neville
Rep. Monica Youngblood

Rep. Patricia Roybal Caballero
Sen. William P. Soules

Guest Legislators

Rep. Patricia A. Lundstrom
Sen. Linda M. Lopez

Staff

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)
Mark Edwards, Drafter, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Monday, September 14

Representative Tripp welcomed the council and participants. Maggie Hart Stebbins, chair of the Bernalillo County Commission, also welcomed those present and briefly summarized the county's efforts to recruit employers. The county is striving to recruit more high-salary employers like Sandia National Laboratories. Commissioner Stebbins said that science and technology employers, in deciding where to locate, focus on the "livability of communities", as quality-of-life amenities have become required elements for attracting high-end talent.

The council approved the minutes for its July and August meetings without objection.

Background of the Jobs Council and Overview of Roundtable Deliberations

Mark Lautman, lead program consultant to the council, discussed the origin of the Jobs Council and framed the day's agenda. The council was formed in 2013 with the mission to create a framework and process to sort out the job-creation priorities for the state. The goal was to develop a plan to foster a robust jobs market, return to pre-recession jobs levels and produce economic-base jobs in equal or greater proportion to pre-recession levels. "Economic-base" jobs are those that provide goods or services to out-of-state buyers and bring new money into the state's economy.

Mr. Lautman said that the council had previously identified several "theaters" of activity as priorities for job creation and that participants would break into discussion groups, each focused on one of these.

1. Federally derived jobs. This theater is focused on increasing the number of jobs paid for by the federal government, including private-sector jobs for federal contractors. Job creation

in this theater may be derived from established federal programs, such as the United States Department of Agriculture's school lunch program, and programs anticipating growth, such as federal health care programs pursuant to the Patient Protection and Affordable Care Act.

2. Film and digital media businesses. This theater includes the production and post-production of movies, television series and commercials and the emerging media development of entertainment, educational and business-related software and computer products.

3. Employer recruitment, retention and expansion. This theater is focused on attracting new companies or expanding current companies with at least 51% of their work force derived from economic-base jobs.

Roundtable Deliberations

Mr. Lautman said that his staff had done preliminary run-through discussions of the three theaters in order to create a starting report for each. The council members and other attendees divided into multiple groups and were asked to deliberate on the following with respect to each group's designated theater:

1. definitions;
2. players, procuring agents and supporting players;
3. current job capacity and the potential of the players within each theater;
4. overlapping economic sectors covered by each theater;
5. economic-base jobs currently being created within a theater, to determine how many extra jobs would be created by additional investment;
6. adequacy of the market and sales operations;
7. available and needed hard assets, including investment capital, land, buildings and supporting infrastructure;
8. work force status, including current size and quality, and the recruitment and training necessary for expansion; and
9. state tax and regulatory requirements, examining what is necessary to compete with other states.

A council member remarked on the importance of accurately defining the scope of state investment and activity required for policymakers. Another member stated that all council proposals must be made with total consensus and noted as an example the council proposal to appropriate \$50 million to implement the Local Economic Development Act (LEDA).

Roundtable Reports

Employer Recruitment, Retention and Expansion

A representative of the group highlighted particular elements of the initial staff report and noted additions that the group recommended be made under various categories: 1) "retention" activities are too often efforts aimed at businesses after they have decided to relocate out of state. State and local activities in this category need to include a proactive element that identifies

relocation potential earlier to avoid "crisis" reactions to employer decisions; 2) "key metrics" should include the quality and salary scale of the jobs being created; an additional metric under this category would be the jobs created by the capital investments made by new or expanding businesses; and 3) planning should include as integral "players and agents" local governments and private investor entities outside the banking industry.

The group also noted that this category is missing a "quality of life" element, particularly for small towns. The City of Pittsburgh's model for quality-of-life was suggested as a potential starting point for creating a metric for this consideration.

The group recommended two areas for legislative action: 1) rehabilitation and improvement of the road system in the southeastern portion of the state to retain and maximize oil production-related jobs; and 2) a local option for a dedicated gross receipts tax (GRT) for economic development organizations. The purpose of the GRT would be to hire additional professional marketers and recruiters and provide adequate office space for them.

Federal Government

A representative said the group recognized that, while the federal government has traditionally been a large employer within the state, reaching the potential of this theater depends on the ability of local communities to compete for government grants and agency locations. To assist local governments, the state could create an office of federal entrepreneurship that would: 1) identify developing plans for new agency centers and programs early in the federal process so that New Mexico localities could place themselves in a position to bid on them; 2) identify and propose needed state matching funds required for federal grants; 3) create a map of the procurement needs and processes of federal agencies, such as the U.S. Department of Defense, so that local businesses could anticipate contract bids; and 4) develop a coordinated plan, including a grant-writing team, to assist colleges in bidding for federal research programs.

Film and Digital Media

A group representative reported that the group agreed that a job-creation goal of approximately 11,000 additional jobs by 2025 was realistic. However, the group believed that the regional distribution in the staff report did not accurately reflect the theater's potential. Film industry jobs are tied to the production location, which varies from production to production. He said the group had identified areas in which the state could expand the indirect jobs created by film productions, which are increasing the local vendor base and building a fabrication industry. However, the way to maximize job creation would be to increase the number of film industry productions per year.

To attract more film productions and increase film-related jobs, the group recommended that: 1) the state reexamine the \$50 million cap on film production tax credits; 2) the number of staff members at the New Mexico Film Division increase; and 3) LEDA funding be made available for vendor training.

The representative reported that the group found the digital-media job sector and the related sector of post-production in the film industry to be more complicated. Digital media are a cluster-business sector that requires adequate capacity for information technology (IT), studio space and emerging mechanical engineering. The digital media center created in Austin, Texas, was offered as an example of how to develop a digital media cluster. It was founded on complementary services provided by the University of Texas and private businesses.

At the conclusion of the roundtable group reports, Mr. Lautman stated that, with the exception of the federal theater, most of the report development was finished. He said that the discussions would continue into November. He added that additional work was needed on the job projections from the agricultural and energy-extraction industries.

Broadband Needs in Economic Development and Education

Robert Gorrell, director, Public School Facilities Authority, gave a presentation on the status of broadband infrastructure in the public school system. He said that 95% of the schools have been surveyed. Citing the figures on page 2 of the handout titled "Broadband Deficiencies Correction Program", Mr. Gorrell noted that the costs of internet access in schools throughout the state vary widely. That cost ranges from 60 cents per megabit per second (Mbps) to \$3,780 per Mbps. Currently, the average bandwidth for internet access per student is 90 kilobits per second (Kbps).

Mr. Gorrell said the public school system needs to get to a student average of 1,000 Kbps. Page 3 of his handout shows the network upgrades needed to reach the 1,000 Kbps standard. The needed upgrades range from 30% of schools needing wiring upgrades to 92% of schools needing wireless network upgrades. Mr. Gorrell stated that these upgrades are eligible for funding from the Federal Communications Commission category 2 E-rate program. The category 2 E-rate program may provide infrastructure subsidies to the state of up to \$150 per student every five years. Mr. Gorrell then noted various possible models to upgrade the public schools' broadband system outlined on page 6 of his handout. He said that a middle-range cost option could fill in the gaps between existing fiber networks and would cost approximately \$44.1 million.

Michael Archibeque, chief information officer, and Ferdi Serim, director of educational technology, Public Education Department (PED), presented on the PED's broadband goals and challenges. Mr. Archibeque articulated the department's goals: provide each school with 100 Kbps per student by 2016, rising to one Mbps per student by 2018; and achieve a systemwide three-to-one student-to-computer ratio by 2018. He said that the challenges to meet those goals include: 1) lack of broadband infrastructure in rural areas; 2) lack of IT support to upgrade and maintain internet systems; 3) the difficulty in providing on-site support in remote locations; and 4) lack of financial resources.

Mr. Serim remarked on an employer survey in which half of the respondents said that they need all of their work force to be computer literate. Mr. Serim highlighted that New Mexico, at 92%, led the nation in the percentage of students taking the Partnership for

Assessment of Readiness for College and Careers (PAARC) test online. He said that computer-based testing assumes that students are using computers for learning and that the PED has tailored its GenYes program toward the requirements of the PAARC. He said the IT challenge faced by the PED included: 1) 32 full-time-equivalent positions (64,000 hours) of school district staff time to prepare for online testing; and 2) that the PED established a "help desk" to support the schools but could only find 12 IT professional staff members to fill the 40 positions that were required.

Mr. Serim said that the lack of available professional IT staff is an ongoing problem for the public school system. Currently, schools are getting students to do their own IT work as a partial solution to the problem.

Gar Clarke, New Mexico program manager, Department of Information Technology (DoIT), and Charlie Ferrell, a member of the Public Regulation Commission (PRC) task force on communication technology, presented on the availability of broadband services in New Mexico. Mr. Ferrell stated that the current resources devoted to building statewide broadband infrastructure were inadequate and that the PRC is considering a fee on internet carriers to provide funding to build a broadband system.

Mr. Clarke outlined efforts taken by the DoIT to address broadband infrastructure needs in New Mexico. He said that the department received a grant from the National Telecommunications and Information Administration, completed in January 2015, to assist broadband development. The grant was used for mapping, planning and local technical assistance and capacity building.

Referring to two handouts ("New Mexico Broadband Program: State Broadband Initiative" and "Map Book: State Broadband Availability Anchor Institutions"), Mr. Clarke said that the DoIT is working on three regional implementation plans with the Northwest New Mexico Council of Governments, the Southwest New Mexico Council of Governments and a northeast economic development organization. It is using a collaborative approach involving many local and regional governmental agencies. The approach includes: 1) mapping the available broadband infrastructure at the state and local level; 2) providing initial technical assistance to local entities to engage in pilot projects that can be used as models for future work; and 3) developing a broadband education and training website. The DoIT proposes using libraries, educational facilities and health care facilities that are identified in the "Map Book" as having current broadband availability as "anchor institutions" to build out the broadband network.

Charles Lehman, Jobs Council program consultant and director of the Employment and Economic Information Center of New Mexico, provided the council with a survey of employers regarding the adequacy and importance of broadband services to their businesses. Mr. Lehman said that more than 43,000 jobs in New Mexico are connected to broadband service. He said that the need for broadband services cuts across all economic sectors and that nearly 40% of surveyed

businesses believe that the available service will be inadequate to meet their needs for at least the next three years.

The council then entered into a general discussion. A council member asked if the PRC should look at revisiting telecommunication regulations to increase incentives for the private sector to develop broadband infrastructure. Mr. Ferrell replied that a regulation incentive program might be useful in a large urban community with a competitive telecommunications market, but it might not work in more rural communities. Mr. Clarke remarked that private-sector network development might create proprietary issues among companies and between companies and public agencies. A council member noted that public-private partnerships (PPPs) could alleviate the propriety issues and build a lot of infrastructure. Mr. Clarke agreed with that point but said that isolated facilities, such as remote schools, do not lend themselves to a PPP solution.

Legislative Initiatives for Job Creation

Mr. Clarke provided a five-year budget proposal for a statewide broadband program. The proposal is for: 1) \$650,000 per year to maintain office and staff for mapping and planning; 2) \$950,000 for the development of a regional and statewide engineering and technology plan; and 3) \$20 million a year for five years for construction of broadband infrastructure, with the goal of leveraging an additional \$20 million a year from private and federal sources. In the ensuing discussion, Mr. Clarke indicated that much of the proposal is a concept paper to give the council an estimate of the cost for a robust infrastructure program. However, he said, \$250,000 a year would be a minimum requirement to maintain program staff and some planning capacity.

The council then discussed a list of funding recommendations that the council previously approved, and it approved those recommendations going forward with the additions of: 1) a measure, which includes a \$250,000 appropriation, to introduce physics education in middle school; and 2) a \$950,000 appropriation for the DoIT to develop a statewide broadband engineering and technology implementation plan and initiate rural infrastructure construction. The council decided to forward the recommended list to the Legislative Finance Committee.

Adjournment

There being no further business before the council, the fourth meeting of the Jobs Council for the 2015 interim adjourned at 4:15 p.m.